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From the Coal Mines... to the Power Lines

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DEPOSITORY

JAN 16 2004

UNIVERSITY
AT URBANA-CHAMPAIGN

Energy for Illinois

ILLINOIS DEPARTMENT OF
COMMERCE & ECONOMIC OPPORTUNITY
OFFICE OF COAL DEVELOPMENT

Rod R. Blagojevich
Governor

Jack Lavin
Director

THE ILLINOIS RESOURCE

Public Acts 92-0012 and 93-0167

FINANCIAL ASSISTANCE PROGRAM

Public Act 92-0012 authorizes \$500 million in general obligation bonds for direct financial assistance in the form of grants to construct new, or expand existing, baseload power plants in Illinois. Grant proceeds may be used for capital facilities consisting of buildings, structures, durable equipment and land at the new generation facility.

To qualify, facilities must:

- Create 400 megawatts of new, baseload electric generating capacity at one site,
 - Commence foundation construction on or after July 1, 2001.
 - Use coal as the primary fuel source, and
- Support the creation of at least 150 new Illinois coal-mining jobs.

The amount of a grant will be determined by the state occupation and use taxes to be paid on Illinois-mined coal used at the new facility. Grants are contingent upon certification by Bureau of the Budget that the state portion of the projected tax receipts will equal or exceed 110 percent of the maximum annual debt service on the bonds over their 25-year life. The maximum amount payable to any one facility is \$100 million.

Businesses applying for financial assistance through the Department of Commerce and Economic Opportunity will be required, at a minimum, to provide the following information:

- The planned completion date of the new electric generating facility,
 - The total annual state occupation and use taxes to be paid on Illinois-mined coal used at the new facility,
 - Documentation of the amount of capital investment in the new facility,
 - Demonstration of long-term contracts of Illinois mined coal, and
- Status of all required state and federal permits, including but not limited to, IEPA air and water permits.

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HIGH IMPACT BUSINESS PROGRAM TAX INCENTIVES

Public Act 92-0012 extends the state's High Impact Business designation to businesses intending to construct new, or expand existing baseload electric generating capacity, electric transmission facilities and coal production facilities in Illinois. The program offers tax credits and exemptions that can have a significant impact on startup costs.

To qualify as a High Impact Business, an applicant must do one of the following:

- Create 400 megawatts of new, baseload electric generating capacity at one site, utilize Illinois-mined coal as the primary fuel, support the creation of 150 new Illinois coal mining jobs and commence foundation construction no earlier than July 1, 2001,

- Expand, reopen or open a new coal production facility at a designated location in Illinois no earlier than July 1, 2001, have that facility serve as the predominant source of coal for a new electric generation facility and create 150 new Illinois coal mining jobs,

- Construct new transmission facilities or upgrade existing transmission facilities at designated locations in Illinois no earlier than July 1, 2001, and transmit a majority of the electricity generated by a new electric generating facility, or

- Create 1000 megawatts of new, natural gas-fired baseload electric generating capacity at one site and commence foundation construction no earlier than July 1, 2001, and no later than December 31, 2004.

Applicants must certify that the investments necessary to establish the new or upgraded facilities would not be made without the tax credits and exemptions provided by the High Impact Business designation. Businesses applying for this designation also must meet certain other applicable provisions of the High Impact Business Program. Businesses located in designated Enterprise Zones are not eligible for the High Impact Business designation.

High Impact Businesses are eligible for some or all of the following tax credits and exemptions:

- A sales tax exemption on building materials and equipment,

ENERGY SECURITY ACT

A utility tax exemption (not applicable to natural gas-fired electric generating facilities), and

An investment tax credit (not applicable to natural gas-fired electric generating facilities).

PROPERTY TAX ABATEMENT

Public Act 92-0012 creates two options for property tax abatement for facilities receiving the High Impact Business designation from the Department of Commerce and Economic Opportunity. The abatements themselves are granted by local taxing districts.

The first option allows any taxing district to abate property taxes on new High Impact Businesses, as established under PA 92-0012, for up to 10 years, with a \$4 million aggregate limit per facility on taxes abated by all taxing districts.

The second provision allows any taxing district to abate property taxes on a new electric generating facility that uses coal and supports 150 new Illinois coal-mining jobs. This abatement may extend for up to 10 years, and the amount is limited by a sliding scale based on the equalized assessed valuation ("EAV") of the new facility.

ILLINOIS DEVELOPMENT FINANCE AUTHORITY AUTHORIZATION

Public Act 92-0012 creates \$3 billion in revenue bond authorization for financing of coal and energy projects through the Illinois Development Finance Authority (IDFA):

Up to \$1.7 billion to finance new electric generating facilities, including mine-mouth power plants,

Up to \$500 million for alternative energy sources, including renewable energy resources or to help convert biomass to fuel,

Up to \$500 million for scrubbers at existing generating plants, and

Up to \$300 million for transmission facilities.

PA 93-0167 adds an additional \$300 million in state-backed (moral obligation) revenue bonds.

The IDFA bonds are payable only from revenues pledged by the private borrowers. Some projects may be eligible for federal tax exemption.

*A Message from
Governor*

Rod R. Blagojevich

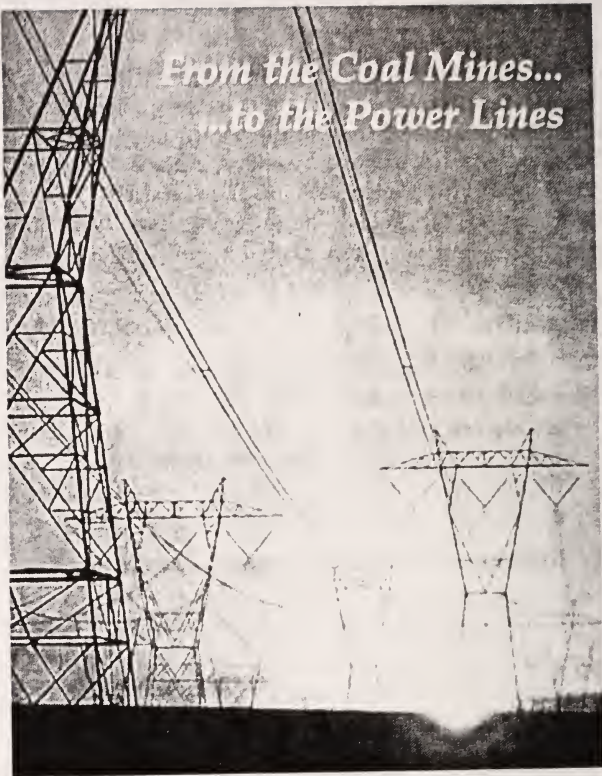


*F*or the past several decades, we have been led to believe that it was impossible to use Illinois coal and meet federal environmental standards. The state's coal mining industry suffered when many power companies switched from Illinois high sulfur coal to lower sulfur, western coal. Recent advances in clean coal technologies will allow power companies to take advantage of Illinois' higher Btu coal while meeting stringent environmental standards.

New legislation, PA 93-0167, provides state backing to \$300 million in revenue bonds for companies that agree to use the funds to build new plants or convert existing plants to use clean coal technology. Such backing is considered critical to reducing interest costs, thereby helping companies initiate construction or improvement projects that otherwise might not be started.

The legislation also allows developers early access to \$500 million in existing state grants to build new power plants that use Illinois coal.

Past studies show that increasingly clean electricity from coal drives down energy costs and creates economic benefits. This plan allows power plants to invest in the technology to use Illinois coal again. It lets us take that first, vital step towards revitalizing our economy and providing affordable, reliable energy for all of Illinois.

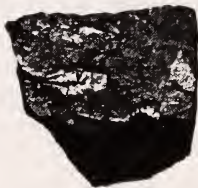


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...to the Power Lines*

For additional information contact:

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